

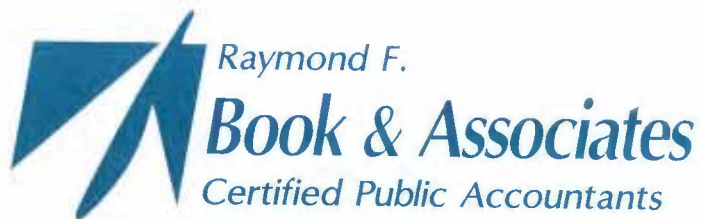
# Exhibit H

*Sal*

**DELAWARE STANDARD BRED OWNERS'**  
**ASSOCIATION, INC.**

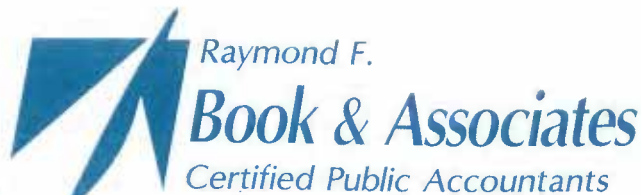
**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2013 AND 2012**



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220 Beiser Blvd., Dover, DE 19904  
272 Carter Drive, Suite 110, Middletown, DE 19709  
34382 Carpenters Way, Suite 6, Lewes, DE 19958



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Samuel C. Warrington, II, CPA

Raymond F. Book, Jr., CPA  
1926-1996

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**Board of Directors  
Delaware Standardbred Owners'  
Association, Inc.  
Dover, Delaware 19904**

We have reviewed the accompanying statements of financial position of Delaware Standardbred Owners' Association, Inc., (a non-profit organization) as of September 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Raymond F. Book & Associates, P.A.*  
**RAYMOND F. BOOK & ASSOCIATES, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS**

**Dover, Delaware  
January 10, 2014**

**DELAWARE STANDARD BRED OWNERS' ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

		<u>2013</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>Revenues, Gains and Other Support</u></b>			
Track Contributions	\$ 514,454	\$ -	\$ 514,454
Track and Member Insurance Contributions	3,235,911		3,235,911
DSOA Pension Income		312,000	312,000
Membership Dues	22,740		22,740
<b><u>Total Revenues, Gains and Other Support</u></b>	<u>3,773,105</u>	<u>312,000</u>	<u>4,085,105</u>
<b><u>Expenses</u></b>			
<b><u>Management and General</u></b>			
Condominium Fees	2,997		2,997
Depreciation	7,332		7,332
Dues and Subscriptions	9,929		9,929
Equipment Damage Expense	1,455		1,455
Flowers and Donations	3,624		3,624
Members Insurance	2,549,728		2,549,728
Office Insurance	7,310		7,310
Member Benefit Programs	100,555		100,555
Office Supplies and Bank Fees	12,271	8,999	21,270
Payroll Taxes	20,212		20,212
Postage	3,454		3,454
Professional Services	48,150		48,150
Salaries	287,523		287,523
Retirement Plan Contributions - Simple Plan	8,337		8,337
Taxes and Licenses	2,043		2,043
Income Tax Expense	142		142
Telephone	4,655		4,655
Travel, Lodging and Meeting Expenses	23,488		23,488
Utilities	2,631		2,631
Other Expenses	-		-
<b><u>Total Expenses</u></b>	<u>3,095,836</u>	<u>8,999</u>	<u>3,104,835</u>
<b><u>Excess Revenue over Expenses</u></b>	677,269	303,001	980,270
<b><u>Other Income and Expenses</u></b>			
Investment Income	506		506
Increase (Decrease) in Life Ins Cash Value		34,051	
DSOA Pension Plan:			
Investment Income		32,371	32,371
Distributions to members		(133,961)	(133,961)
Realized and Unrealized Gain (Loss) on Investments		175,558	175,558
<b><u>Net Other Income and Expenses</u></b>	<u>506</u>	<u>108,019</u>	<u>74,474</u>
<b><u>Changes in Net Assets</u></b>	677,775	411,020	1,088,795
<b><u>Net Assets Beginning of Year</u></b>	<u>347,009</u>	<u>3,093,366</u>	<u>3,440,375</u>
<b><u>Net Assets End of Year</u></b>	<u>\$ 1,024,784</u>	<u>\$ 3,504,386</u>	<u>\$ 4,529,170</u>

	<u>2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues, Gains and Other Support</u>			
Track Contributions	\$ 514,316	\$ -	\$ 514,316
Track and Member Insurance Contributions	3,168,765		3,168,765
DSOA Pension Income		348,000	348,000
Membership Dues	24,597		24,597
Other Income	1,312	5,916	7,228
<u>Total Revenues, Gains and Other Support</u>	<u>3,708,990</u>	<u>353,916</u>	<u>4,062,906</u>
<u>Expenses</u>			
<u>Management and General</u>			
Condominium Fees	2,997		2,997
Depreciation	4,142		4,142
Dues and Subscriptions	10,137		10,137
Equipment Damage Expense	525		525
Flowers and Donations	3,224		3,224
Members Insurance	3,008,932		3,008,932
Office Insurance	6,839		6,839
Member Benefit Programs	106,887		106,887
Office Supplies and Bank Fees	14,817	1,205	16,022
Payroll Taxes	20,309		20,309
Postage	3,345		3,345
Professional Services	46,185		46,185
Salaries	285,198		285,198
Retirement Plan Contributions - Simple Plan	8,104		8,104
Taxes and Licenses	2,055		2,055
Income Tax Expense	203		203
Telephone	4,816		4,816
Travel, Lodging and Meeting Expenses	20,018		20,018
Utilities	2,933		2,933
Other Expenses	452		452
<u>Total Expenses</u>	<u>3,552,118</u>	<u>1,205</u>	<u>3,553,323</u>
<u>Excess Revenue over Expenses</u>	<u>156,872</u>	<u>352,711</u>	<u>509,583</u>
<u>Other Income and Expenses</u>			
Investment Income	681		681
Increase (Decrease) in Life Ins Cash Value		54,047	
DSOA Pension Plan:			
Investment Income		37,036	37,036
Distributions to Members		(68,670)	(68,670)
Realized and Unrealized Gain (Loss) on Investments		355,055	355,055
<u>Net Other Income and Expenses</u>	<u>681</u>	<u>377,468</u>	<u>324,102</u>
<u>Changes in Net Assets</u>	<u>157,553</u>	<u>730,179</u>	<u>887,732</u>
<u>Net Assets Beginning of Year</u>	<u>189,456</u>	<u>2,363,187</u>	<u>2,552,643</u>
<u>Net Assets End of Year</u>	<u>\$ 347,009</u>	<u>\$ 3,093,366</u>	<u>\$ 3,440,375</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT



**DELAWARE STANDARD BRED OWNERS' ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Increase in Net Assets	\$ 1,088,795	\$ 887,732
Adjustments To Reconcile Net Assets to Net Cash		
Provided By (Used By) Operating Activities:		
Depreciation	7,332	4,142
Decrease (Increase) in Accounts Receivables	(71)	1,348
Decrease (Increase) in Prepaid Expenses	(68)	(1,247)
Decrease (Increase) in Life Insurance Trust	(34,051)	(54,047)
Decrease (Increase) in Pension Plan	(376,969)	(676,132)
Increase (Decrease) in Payroll Tax Withholding Liability	(42)	(150)
Increase (Decrease) in Members' Prepaid Insurance	1,683	3,267
Increase (Decrease) in Workers Compensation in Advance	1,129	2,347
Increase (Decrease) in Health Insurance Received in Advance	-	(22,132)
Increase (Decrease) in Management Fee & Ins Received in Advance	35,000	-
Increase (Decrease) in Retirement Plan Contribution Liability	-	(310)
Increase (Decrease) in Income Taxes Payable	(61)	16
Rounding	-	(2)
<b><u>Cash Provided (Used) by Operating Activities</u></b>	<u>722,677</u>	<u>144,832</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Additions to Property and Equipment	(6,950)	(5,830)
<b><u>Net Cash Used by Investing Activities</u></b>	<u>(6,950)</u>	<u>(5,830)</u>
<b><u>Cash Flows from Financing Activities</u></b>		
<b><u>Net Cash Used by Financing Activities</u></b>	<u>-</u>	<u>-</u>
<b><u>Net Increase in Cash and Cash Equivalents</u></b>	<u>715,727</u>	<u>139,002</u>
Cash and Cash Equivalents - October 1	<u>329,699</u>	<u>190,697</u>
<b><u>Cash and Cash Equivalents - September 30</u></b>	<u>\$ 1,045,426</u>	<u>\$ 329,699</u>
<b><u>Supplemental Information</u></b>		
Interest Paid	\$ -	\$ 218
Income Taxes Paid	\$ 203	\$ 187

**SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

**DELAWARE STANDARD BRED OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**NOTE 1 - Summary of Significant Accounting Practices and Policies**

**Nature of Activities**

The association is a non stock corporation organized to promote and protect the welfare of horsemen in Delaware. The association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The association negotiates purse structure, insurance and welfare programs and councils and informs the horsemen on matters pertaining to harness racing. Operating funds are derived principally from Harrington Raceway and Dover Downs.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis in accordance with U. S. generally accepted accounting principles, therefore revenues are recognized when earned and expenses are recognized when incurred.

**Basis of Presentation**

The association reports contributions as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Assets are reported as unrestricted unless they are received with donor stipulations. Assets are reported as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified as unrestricted assets and reported in the statement of activities as net assets released from restrictions. For the years ended September 30, 2013 and 2012 the Organization had no permanently restricted net assets.

**Depreciation**

A portion of the cost of buildings and equipment is charged against earnings each year as depreciation. Depreciation is computed using the straight line and accelerated cost recovery and declining balance methods.

**Subsequent Events**

Management has evaluated subsequent events through January 10, 2014 which was the date that the financial statements were available to be issued.

**NOTE 2 - Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.



**DELAWARE STANDARD BRED OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**NOTE 3 - Concentration of Credit Risk**

Delaware Standardbred Owner's Association, Inc. maintains cash balances in banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, (and provided unlimited insurance for non-interest bearing checking accounts through 2012). At September 30, 2013 and 2012, the organization's total uninsured cash balances totaled \$866,107 and \$0, respectively.

**NOTE 4 - Accounts Receivable**

Accounts receivable represent amounts billed for advertising on the association-sponsored television show, Post Time, amounts billed to racetracks, and amounts billed for members' insurance co-payments that have not yet been collected. Accounts considered uncollectible are charged against allowance for uncollectible accounts.

	<u>2013</u>	<u>2012</u>
Accounts Receivable	\$ 26,369	\$ 26,298
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 26,369</u>	<u>\$26,298</u>

**NOTE 5 - Use of Estimates**

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 6 - Investment**

The organization purchased 10 shares of Harrington Raceway, Inc. This is a non-publicly traded stock with a fair market value that is not readily determinable. This investment is, therefore, reported in this financial statement at the organization's cost of \$4,000.

**NOTE 7 - Income Tax Expense**

The organization contributes money to various local political campaigns. Pursuant to Section 527 of the Internal Revenue Service Code, organizations described in Section 501(c) that give contributions to political campaigns are subject to income tax on these amounts. The total contribution given to such campaigns was \$8,534 and \$10,100 for the years ended September 30, 2013 and 2012, which resulted in income tax in the amount of \$142 and \$203, respectively. With few exceptions, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for fiscal years ending before September 30, 2010.



**DELAWARE STANDARD BRED OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**NOTE 8 - Retirement Savings Plan – Drivers and Trainers**

On January 1, 2001, the organization implemented an unfunded, nonqualified retirement savings plan for drivers and trainers who compete at Harrington Raceway and Dover Downs. The assets of this retirement savings plan are general assets of Delaware Standardbred Owners' Association. The assets are held by Morgan Stanley Smith Barney, BIG Investments & M&T Bank. The values were determined using quoted prices in active markets for identical assets (Level 1) and are as follows:

	Fair Market Value	
	<u>2013</u>	<u>2012</u>
Morgan Stanley		
Cash Account	\$ 385	\$ 1,356
Investments	1,863,858	1,631,996
BIG Investments		
Cash Account	276,756	706,573
Investments	1,273,832	697,994
M&T Bank		
Cash Account	1,457	1,400
	<u>\$ 3,416,288</u>	<u>\$ 3,039,319</u>

	Cost	
	<u>2013</u>	<u>2012</u>
Morgan Stanley		
Cash Account	\$ 385	\$ 1,356
Investments	1,702,380	1,476,511
BIG Investments		
Cash Account	276,756	706,573
Investments	1,256,242	526,144
M&T Bank		
Cash Account	1,457	1,400
	<u>\$ 3,237,220</u>	<u>\$ 2,711,984</u>

**DELAWARE STANDARD BRED OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**NOTE 8 - Retirement Savings Plan – Drivers and Trainers (continued)**

Under this plan, contributions are derived from the purse account created by each race run at Harrington Raceway and Dover Downs. Participants earn points based on their qualified starts completed at these racetracks during the plan year and receive an allocation of contributions based upon the points earned. Participants acquire a vested interest upon accumulation of seven points. Benefit payments under the plan are made upon the occurrence of the following events: (a) retirement on or after age 62 (b) death (c) total disability or (d) attaining age 70.

**NOTE 9 - Retirement Plan - Employees**

On April 15, 2001, the organization implemented a SIMPLE retirement plan for its employees. Under this plan, eligible employees can elect to defer a portion of their earnings into a SIMPLE retirement account set up by the organization. The organization matches these deferrals up to 3% of the employees' gross annual wage. For the years ended September 30, 2013 and 2012 the organization contributed \$8,337 and \$8,413 in matching contributions to employee SIMPLE accounts.

**NOTE 10 - Concentration of Risk**

Delaware Standardbred Owners' Association is dependent upon the continued support of both the general public and state legislature of Dover Downs and Harrington Raceway; as well as the organization's members. These funding sources are dependent upon the general economic conditions within the State of Delaware.

**NOTE 11 - Life Insurance Trust Account**

In 2011, the organization began offering a nonqualified life insurance program for its members who wanted to participate. Upon death of a participating member, the insured's beneficiary will receive a death benefit in the amount of \$5,000 and the organization will receive a payment for the remaining amount of the policy. The assets of this life insurance trust are general assets of Delaware Standardbred Owners' Association. The assets are held by TransAmerica. The values were determined using quoted prices in active markets for identical assets (Level 1). The cash value of the trust for the years ending September 30, 2013 and 2012 were \$88,098 and \$54,047, respectively.

**DELAWARE STANDARD BRED OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013 AND 2012**

**NOTE 12 - Temporarily Restricted Assets**

Temporarily restricted assets are available for the following purpose:

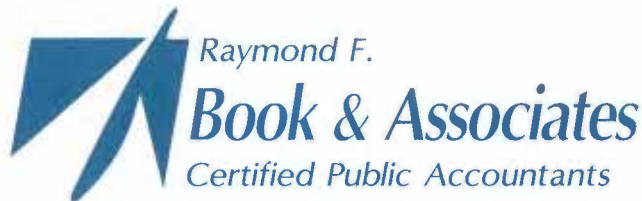
	<u>2013</u>	<u>2012</u>
Pension Plan	\$ 3,416,288	\$ 3,039,319
Life Insurance Trust	<u>88,098</u>	<u>54,047</u>
Total	<u>\$ 3,504,386</u>	<u>\$ 3,093,366</u>

**NOTE 13 - Advertising**

Advertising for the years ended September 30, 2013 and 2012 in the amounts of \$510 and \$413, respectively were expensed as incurred.

# Exhibit J





Raymond F. Book, III, MS, CPA/PFS  
Scott R. Brown, CPA/PFS  
Ronald P. Vascik, Jr., CPA  
Christine Lawrence, CPA  
Emily McCauley, MS, CPA  
D. LeVerne Beiler, CPA, CVA  
Samuel C. Warrington, II, CPA

Raymond F. Book, Jr., CPA  
1926-1996

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June 12, 2014

Delaware Standardbred Owners Association  
Attn: Sal Dimario  
830 Walker Square  
Dover, DE 19904

Sal,

I understand that you are being asked to explain why the organization has such a large amount of excess cash available. I have attached pages three and eleven of the most recent financial statements prepared by our firm dated September 30, 2013.

At the fiscal year ended dates of September 30, 2013 and 2012 the organization had cash balances totaling \$1,045,426 and \$326,699, respectively. Please see the last section of the Statement of Financial Position (page 3). The organization has temporarily restricted assets totaling \$3,504,386 at September 30, 2013 and \$3,093,366 at September 30, 2012. Page eleven, Note 12 itemizes what comprises these totals.

While the organization has pension funds invested in brokerage accounts, it is wise to further keep fixed assets (cash) available in addition to equity investments to further ensure the safekeeping of pension monies.

Additionally, the organization has opted to self-fund its members health insurance. While 2013 was a very good year with few insurance claims payable by the organization, the board understands that it cannot rely on this recurring. The board took the position that the organization needs to keep more cash on hand to pay for health insurance claims when they arise.

For the reasons above, the board of Delaware Standardbred Owners Association has decided to accumulate the excess cash that is shown in the organization's Statement of Financial Position. If there are any further questions related to this matter, please feel free to contact me.

Sincerely,

Christine Lawrence, CPA